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March 31, 2008

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To: Supervisor Yvonne B. Burke, Chair
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From: William T Fujioka
Chief Executive Officer

MOTION TO SUPPORT SB 1734 (KUEHL), SB 1688 (RIDDLEY-THOMAS), AND AB 2715 (LEVINE) – LEGISLATION INTENDED TO PRESERVE MEDICAL SERVICES AT THE ENCINO-TARZANA REGIONAL MEDICAL CENTER (ITEM NO. 47-E, AGENDA OF APRIL 1, 2008)

Item No. 47-E on the April 1, 2008 Supplemental Agenda is a motion by Supervisor Yaroslavsky recommending that the Board of Supervisors: 1) send a five-signature letter to the Chair of the Senate Health Committee and members of the County's State legislative delegation supporting SB 1734 (Kuehl), SB 1688 (Ridley-Thomas), and AB 2715 (Levine), and 2) instruct the County's legislative advocates in Sacramento to pursue the County's position on these measures.

SB 1734 (Kuehl), as introduced on February 22, 2008, would prohibit a real estate investment trust which leases property to a hospital from amending the lease or selling the property to a for-profit hospital operator if the action would result in a reduction of care or closure of the hospital.

According to the author's fact sheet on SB 1734, early in 2004, the Tenet Healthcare Corporation (Tenet) announced that it planned to sell the Encino-Tarzana Regional Medical Center (ETRMC) in the San Fernando Valley to a new hospital operator. Encino-Tarzana was one of 19 hospitals that Tenet offered for sale that year. Although most of these hospitals have been transferred to new owners, sale of the ETRMC facility has been delayed because of a legal dispute between Tenet and the Health Care Property Investors (HCPI), which is the real estate investment trust that holds the lease for the Tarzana facility. The author contends that the delay created by the dispute is adversely affecting ETRMC's ability to retain or attract qualified physicians, nurses, and other employees essential to address the community's diverse health care needs.

As a result of the closure of three other Valley hospitals, and reductions in services at nearby hospitals, Valley residents increasingly rely on ETRMC for health care services. The author indicates that SB 1734 would create a process to reach a resolution of the dispute between Tenet and HCPI, and would allow the appointment of a temporary manager if mediation is not successful and the dispute threatens to impact patient care.

The author's staff report that SB 1734 is sponsored by the ETRMC medical staff and is supported by SEIU and AFSCME. Although there is no formal opposition, the California Hospital Association has expressed concern with the bill. SB 1734 is scheduled for hearing in the Senate Health Committee on April 9, 2008.

SB 1688 (Ridley-Thomas) and AB 2715 (Levine), each introduced on February 22, 2008, are identical except that AB 2715 is an urgency measure which would become effective immediately upon the Governor's signature. These bills would require an owner or operator of a for-profit hospital to maintain the same level of care provided in the preceding calendar year, and prohibit them from decreasing the total expenditures for a hospital by more than 10 percent from the prior year's expenditures without approval of the California Department of Public Health.

The author's staff indicated that AB 2715 was sponsored by the ETRMC medical staff. No further information was available on either SB 1688 or AB 2715 including support or opposition to these bills. SB 1688 is scheduled for hearing in the Senate Health Committee on April 9, 2008, and AB 2715 is awaiting a hearing date in the Assembly Health Committee.

The Department of Health Services is supportive of retaining inpatient hospital and outpatient emergency room capacity in Los Angeles County. Since these three legislative bills involve private for-profit entities, the Department indicates that these bills should be a matter for Board policy determination.

Because there is no specific policy to prohibit a real estate investment trust from amending a property lease or selling the property to a for-profit hospital operator if the action would result in a reduction of care provided by the hospital or its closure, **support for SB 1734 is a matter for Board policy determination.** There also is no existing policy regarding maintaining the level of care or expenditures at a for-profit hospital; therefore, **support for SB 1688 and AB 2715 is a matter for Board policy determination.**

WTF: SRH:GK
MS:MC:lm

c: Executive Officer, Board of Supervisors
County Counsel
Department of Health Services